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FISCAL IMPACT STATEMENT

LS 6429

BILL NUMBER: HB 1223

NOTE PREPARED: Dec 30, 2005

BILL AMENDED:

SUBJECT: Gasoline and Special Fuel Tax Exemption.

FIRST AUTHOR: Rep. Tincher

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill exempts from the Gasoline Tax and the Special Fuel Tax any gasoline and special fuel that is purchased by a political subdivision and used for a governmental purpose.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary:* Political subdivisions, which include school corporations and local units of government, would be exempt from the Gasoline Tax and the Special Fuel Tax under this bill. It is estimated that there would be a total annual revenue loss in Gasoline and Special Fuel Taxes ranging between \$2.7 M and \$5.2 M. Of these amounts, the revenue losses to state funds are estimated to range from \$1.5 M to \$2.9 M.

The funds affected are the Motor Vehicle Highway Account (MVHA), the Local Road and Street Account (LR&S), the Primary Road and Street Account (PR&SA), the State Highway Road Construction and Improvement Fund, the State Highway Fund, and a distribution of one penny of the Gasoline Tax to cities, towns, and counties eligible to receive a distribution from the MVHA and in the same proportion among the cities, towns, and counties as funds distributed from the MVHA.

Background Information: For FY 2005, school corporations spent approximately \$32.2 M on fuel and lubrication. Civil operating units are estimated to have spent approximately \$31 M.

The Gasoline Tax is \$0.18 per gallon, and the Special Fuel Tax is \$0.16 per gallon. For this analysis, it is

assumed that total fuel purchases are divided equally between gasoline and diesel fuel and with an assumed price of \$2.066 per gallon. (The average price per gallon is from the Department of State Revenue and reflects the most recent retail price of gasoline available to the Department, based on data contained in the November 2005 Petroleum Marketing Monthly as published by the Energy Information Agency.)

The MVHA supports the Bureau of Motor Vehicles totally, approximately 48% of the State Police budget, much of the Indiana Department of Transportation (INDOT) budget, the Department of State Revenue-Motor Fuel Tax Division and local units of government.

The state Highway Fund and the PR&SA support INDOT, and the LR&S supports local units of government. The State Highway Road Construction and Improvement Fund is used for bonding.

Explanation of Local Expenditures: School corporations and local units, statewide, would pay between \$2.7 M and \$5.2 M less in Gasoline Tax and Special Fuel Tax annually. However, revenue distributions to local units are estimated to be reduced by \$1.2 M to \$2.3 M.

Funds in the MVHA and the LR&S accounts are distributed to recipient entities on a monthly basis. Acceptable uses of the MVHA are construction, reconstruction, and maintenance, among others, while acceptable uses for the LR&S are engineering and land acquisition, construction, maintenance, and resurfacing among others.

Explanation of Local Revenues: See *Explanation of Local Expenditures*.

State Agencies Affected: The State Police, the Bureau of Motor Vehicles, the Department of Transportation, and the Department of State Revenue as recipients of Gasoline Tax and Special Fuel Tax revenues.

Local Agencies Affected: School corporations and local units and recipients of Gasoline Tax and Special Fuel Tax revenues as distributed according to the Motor Vehicle Highway Account and the Local Road & Street Account distribution formulas.

Information Sources: LOGODABA and civil unit operating budgets for FY 2005; Department of State Revenue gasoline price data.

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